

Message Text

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IO/SA:ROBT ANDREW

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FOLLOWING REPEAT MANILA 11434 ACTION SECSTATE INFO KABUL
DATED JUL 07:

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USADB

DEPARTMENT PASS TREASURY DEPT FOR NACHMANOFF

EO 11652:N/A

TAGS: EAID, EFIN, ADB

SUBJECT: AFGHANISTAN/SERAJ PROJECT ANTI-POPPY CLAUSE IN
ADB PROJECT AGREEMENT WITH GOVERNMENT

1. DURING RECENT DISCUSSIONS BETWEEN ADB STAFF AND THE
DEMOCRATIC REPUBLIC OF AFGHANISTAN (DRA) REGARDING THE
DRAFT SERAJ AGRICULTURAL DEVELOPMENT PROJECT AGREEMENT,
THE AFGHAN CHIEF NEGOTIATOR STATED THAT THE PROPOSED
ANTI-POPPY CLAUSE IN THE FINANCING AGREEMENT WAS NOT
ACCEPTABLE TO HIS GOVERNMENT. HE EXPLAINED THAT THE
PROPOSED TA GRANT AND LOAN WAS FOR A FEASIBILITY STUDY
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AND ENGINEERING DESIGN AND NOT FOR CONSTRUCTION PURPOSES.
HE STATED THAT THE GOVERNMENT WAS, HOWEVER, PREPARED TO
GIVE A SEPARATE LETTER OF ASSURANCE TO THE BANK SIGNED BY
AN OFFICIAL IN THE MINISTRY OF PLANNING OR FOREIGN AFFAIRS.
THE BANK TEAM AGREED TO ACCEPT A LETTER SUCH AS THE ONE
CITED IN PARA 2 BELOW WITH THE UNDERSTANDING THAT THE
LANGUAGE IN PARA. 3 BELOW WILL BE INCLUDED IN THE LOAN

DOCUMENTS RATHER THAN A SEPARATE SIDE LETTER FOR THE CONSTRUCTION LOAN IF AND WHEN THE BANK AGREES TO APPROVE SUCH A LOAN. THE AFGHAN GOVERNMENT AGREED TO THIS ARRANGEMENT.

2. TEXT OF SIDE LETTER AGREED TO FOR TA LOAN/GRANT PHASE IS AS FOLLOWS:

QUOTE. THIS IS IN REFERENCE TO THE SERAJ AGRICULTURAL DEVELOPMENT PROJECT IN AFGHANISTAN FOR WHICH THE ASIAN DEVELOPMENT BANK (THE BANK) IS CONSIDERING A LOAN OF US DOLLARS 1,450,000 AND A GRANT OF US DOLLARS 150,000 ON SUCH TERMS AND CONDITIONS AS SET FORTH IN THE DRAFT TECHNICAL ASSISTANCE FINANCING AGREEMENT BETWEEN THE DEMOCRATIC REPUBLIC OF AFGHANISTAN AND THE BANK NEGOTIATED TODAY.

DURING THE PREPARATION AND NEGOTIATION OF THIS TECHNICAL ASSISTANCE, THE BANK HAD EXPRESSED ITS CONCERN ABOUT THE NEED FOR NECESSARY STEPS TO PREVENT AND ELIMINATE THE GROWTH OF OPIUM POPPIES IN THE PROJECT AREA. WE ARE PLEASED TO ASSURE YOU THAT THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF AFGHANISTAN HAS BEEN MAKING VARIOUS EFFORTS TO LIMINATE OPIUM POPPY GROWING IN THE COUNTRY AND, FOR THIS PURPOSE, WE HAVE ALSO RECEIVED ASSISTANCE FROM THE UNITED NATIONS AND OTHER AGENCIES.

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WITH REGARD TO THE BANK'S CONCERN ABOUT THIS MATTER IN CONNECTION WITH THE SERAJ AGRICULTURAL DEVELOPMENT PROJECT, WE ASSURE THE BANK THAT THE GOVERNMENT WILL TAKE THE NECESSARY STEPS FOR PREVENTION AND ELIMINATION OF THE GROWTH OF OPIUM POPPIES IN THE PROJECT. END QUOTE.

3. TEXT OF SECTION 4.06 OF CONSTRUCTION LOAN AGREEMENT AS AGREED TO IN EVENT THAT BANK AGREES TO MOVE AHEAD WITH CONSTRUCTION PHASE OF PROJECT IS AS FOLLOWS:

QUOTE. SECTION 4.06. THE BORROWER SHALL TAKE ALL STEPS (INCLUDING FOR EXAMPLE, BUT NOT RESTRICTED TO, PERIODIC INSPECTION OF AREAS AND IMPLEMENTATION OF THE POPPY ERADICATION PROGRAM FORMULATED BY THE JOINT COMMITTEE ON AFGHAN NARCOTICS MATTERS) TO PREVENT OR ELIMINATE AS THE CASE MAY BE, THE GROWTH OF OPIUM POPPIES IN THE PROJECT AREA. WITH REGARD TO THE IMPLEMENTATION OF THIS PROVISION, THE BORROWER SHALL PROVIDE THE BANK WITH SUCH INFORMATION AS THE BANK MAY REASONABLY REQUEST AND THE BORROWER AND THE BANK SHALL FROM TIME TO TIME EXCHANGE THEIR VIEWS. END QUOTE.

4. WE BELIEVE THAT THE BANK HAS PRESSED THE GOVERNMENT

ABOUT AS FAR AS IT IS ABLE AND HAS OBTAINED REASONABLE
ASSURANCES OF THE GOVERNMENT'S VIGILANCE IN PREVENTING
THE PROPAGATION OF POPPY CULTURE IN THE PROPOSED PROJECT
SITE. BOTH BANK MANAGEMENT AND ITS PROJECT PERSONNEL
HAVE DEMONSTRATED A WILLINGNESS TO GO TO THE MAT ON THIS
ISSUE, AND WE WELCOME THEIR STRONG EFFORTS. EDMOND UNQTE
CHRISTOPHER

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